



Engenuity 2013 Competition

Review of the Performance of "#parsonswizardry"

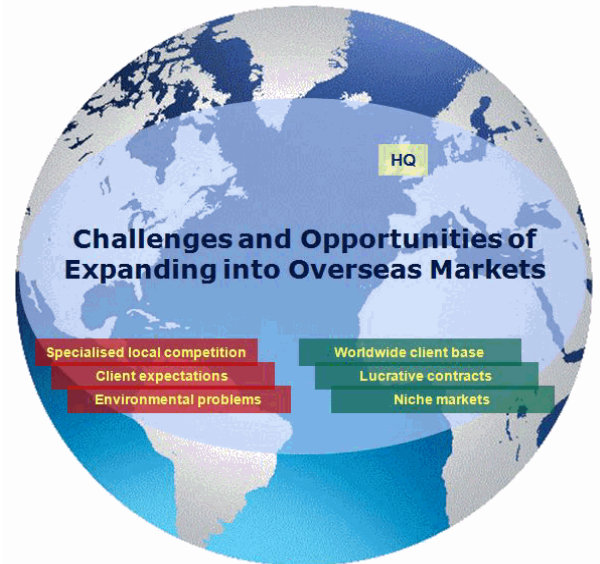
The Task

A fledgling UK-based construction company, with headquarters in London, had been trading for just one year. A new management team was needed to run the company for the foreseeable future, making decisions related to the key functions of the business for each period/quarter.

The first task facing the new management team was to form a business strategy to satisfy the high demands of the company's shareholders, who were keen to see a quick return on their investment.

Although based in the UK, and subject to UK tax laws and interest rates, the decision to expand into overseas markets, and different continents, would depend upon the prevailing economic climate in the UK, and worldwide, and the direction the new management team wanted to go in.

Working in different countries would present some particular risks and challenges to overcome, such as client restrictions, global competitors and environmental problems (extreme weather conditions, civil unrest, local labour problems etc). However, the potential rewards and opportunities of operating globally (worldwide client base, niche markets, lucrative large-scale contracts), may outweigh the risks.



Timeframe

The company had already been operating for periods 1 to 4, known as the History year, before the new management team took control.

The new management team were in charge for two different stages.

The Early Years (periods 5-12)

During the Early Years the competition during the procurement process came from simulated companies, based in particular countries, who could tender for work in their own country only, or worldwide.

Each rival company had their own unique profile and tendering history, which had to be carefully assessed in order to formulate an effective procurement strategy for competing against them.

The Later Years (periods 13-18)

During the Later Years the competition during the procurement process came from the other 'human' teams in the competition. There was also competition for the services of project managers.

This created an even more uncertain and pressurised environment in which the skills and team dynamics formed in the early years were really put to the test.



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Key Performance Indicators

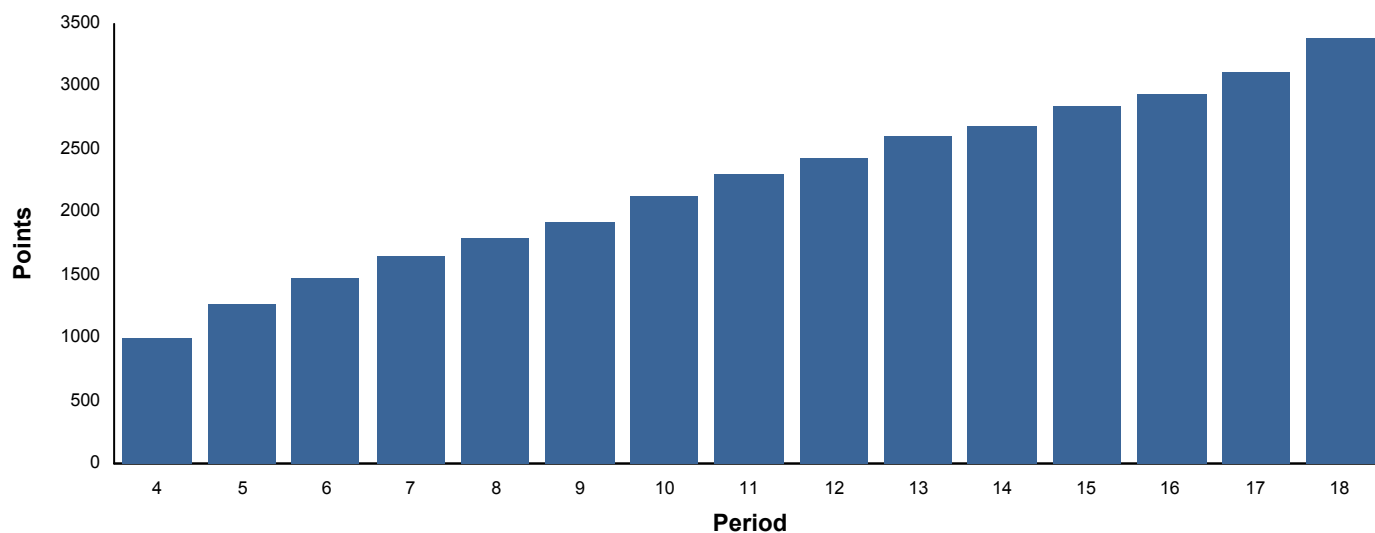
Performance indicators were used to measure the progress of the company in a number of key areas.

The indicators were weighted at the start of the early years to reflect their variability, initially to a 1,000 points

Overall company performance improved from 1,000 to 3,376 points

Period	Turnover	Gross Profit To Turnover	Operating Profit To Turnover	Company Value	Capital Employed	Contract Complete	Forward Workload	Forward Margin	Share Price	Client Satisfact	Total Rating
4	40	130	130	170	120	100	70	100	70	70	1,000
5	49	160	178	186	131	135	90	148	88	103	1,268
6	54	180	212	202	140	140	102	204	107	132	1,473
7	64	216	272	241	145	160	90	171	130	160	1,649
8	68	223	279	253	149	185	112	177	149	197	1,792
9	74	226	284	274	153	215	110	177	174	231	1,918
10	80	239	301	303	155	250	110	215	216	265	2,134
11	83	250	316	326	158	275	134	224	248	296	2,310
12	87	263	335	362	159	305	118	183	289	335	2,436
13	91	264	338	402	161	335	138	179	324	372	2,604
14	93	268	345	444	160	375	125	137	336	406	2,689
15	94	270	344	473	162	395	183	137	355	433	2,846
16	97	265	339	512	163	415	163	128	394	458	2,934
17	100	266	342	558	163	460	150	126	445	500	3,110
18	103	264	340	600	164	485	179	183	527	531	3,376

Overall KPI Trend



Turnover: An indication of how much work the company has done

Gross Profit to Turnover: A measure of how profitable the company's jobs have been

Operating Profit to Turnover: A measure of how profitable the company is after considering all operating factors

Company Value: A measure of the asset value of the company

Capital Employed: A measure of how well the company's infrastructure is being utilised

Contract Completion: An indication of how successful the company is in completing contracts

Forward Workload: The remaining turnover (value) of jobs still in progress

Forward Margin: The remaining profit of jobs still in progress

Share Price: A measure of the strength of the company's share price

Client Satisfaction: An indication of the strength of the relationship build up with the company's clients

Performance Summary

	<u>History</u>	<u>Since</u>	<u>Change</u>	<u>Basis</u>
Number of periods:	4	14		

Financial Management

Company value:	5,058,013	17,860,780	253 %	E
Share price:	1.11	8.36	653 %	E
Capital employed:	88 %	96 %		A
Turnover:	14,935,390	22,474,410	50 %	A
Job profit:	4.3 %	9.6 %		D % of job cost
Overhead costs:	1.8 %	1.8 %		D % of job cost
Operating profit:	1.9 %	5.6 %		D % of job cost; net, after tax and interest
Dividend paid:	1.4 %	1.2 %		D % of job cost

Overhead Management

Market share:	12 %	36 %		D % of the overall new work in the market identified
Market share split (UK):	59 %	40 %		D % of the market share in the UK
Market share split (OV):	41 %	60 %		D % of market share Overseas (outside the UK)
Head office staffing level:	100 %	220 %		D The benchmark was 100%; the optimum level was 200%
QHSE staffing level:	100 %	228 %		D The benchmark was 100%; the optimum level was 200%
Measurement staffing level:	100 %	223 %		D The benchmark was 100%; the optimum level was 200%

Procurement

Number of jobs bid for:	18	59		D
Number of jobs won:	7	34		D
Bidding success rate:	39 %	58 %		D Jobs won as a % of jobs bid for

Job Progression

Reduction in job costs:	0.00 %	1.10 %		D % due to targeted investments (build cost reductions)
Reduction in job costs:	0.00 %	0.77 %		D % due to targeted investments (risk cost reductions)
Risk cost incurred:	25 %	34 %		D As a % of the contingency in the bid
Project manager weighting:	7.6	8.7		D Out of 10
Jobs finished early:	2	19		D
Jobs finished on time:	0	13		D
Jobs finished late:	0	0		D
Job completion efficiency:	0.98	0.91		D 0 to 1 where 1 the optimum level
Forward workload:	24,933,920	63,892,110		E
Forward margin:	883,296	1,617,293		E

Colour coding

Green background indicates exceptional performance in this area

Red background indicates a weakness in this area

Basis

The basis for setting each measure was :-

E (At the end of the timeframe)

A (An average for each period of the timeframe)

D (The value during the whole timeframe)